

Jamna Auto Industries Ltd

No. of shares (m)	398.6
Mkt cap (Rs crs/\$m)	4616/602.3
Current price (Rs/\$)	116/1.5
Price target (Rs/\$)	129/1.7
52 W H/L (Rs.)	125/66
Book Value (Rs/\$)	16/.2
Beta	1.0
Daily volume NSE monthly	1501520
P/BV (FY22e/23e)	7.1/6.3
EV/EBITDA (FY22e/23e)	20.2/16.6
P/E (FY22e/23e)	33.9/27.0
EPS growth (FY21/22e/23e)	50.8/85.2/25.5
OPM (FY21/22e/23e)	12.4/13.0/13.5
ROE (FY21/22e/23e)	13.6/22.5/24.7
ROCE(FY21/22e/23e)	12.9/22.8/24.9
D/E ratio (FY21/22e/23e)	0.0/0.0/0.0
BSE Code	520051
NSE Code	JAMNAAUTO
Bloomberg	JMNA IN
Reuters	JMNA.NS

Shareholding pattern	%
Promoters	50.0
MFs / Banks / FIs	13.6
FPIs	5.6
Govt. Holding	0.0
Public & others	30.9
Total	100.0

As on Mar 31, 2022

Recommendation

ACCUMULATE

Analyst

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Consolidated (Rs crs)	FY19	FY20	FY21	FY22e	FY23e
Income from operations	2134.81	1128.95	1079.48	1658.73	1924.13
Other Income	10.97	16.47	10.12	8.33	13.29
EBITDA (other income included)	289.48	131.23	143.79	234.93	273.04
Profit after MI & EO items	137.37	48.70	73.41	146.61	170.66
EPS(Rs)	3.45	1.22	1.84	3.41	4.28
EPS growth (%)	9.6	-64.6	50.8	85.2	25.5

Company Brief

Jamna Auto Industries is India's market leader in automotive suspension solutions and is the second largest producer in the world of multi-leaf springs. It has plants at various locations in India.

Quarterly Highlights

- In line with 28% growth of Indian MHCV industry in Q3, Jamna Auto published 29.6% rise in revenues to Rs 444.75 crs compared to Rs 343.26 crs with large chunk of growth coming from OEM market; 77% revenues accrued from OEM market while the new markets made its way at 23%. With growing volumes of parabolic springs, revenue contribution of new products rose to 37% in Q3 from 34% in FY21.
- Trampled by higher raw material prices, Jamna's operating profit rose by a muted 17.1% to Rs 59.71 crs in Q3, thus stoking OPMs by 142 bps to 13.4%. Lower interest expense coupled with decline in depreciation all but boosted post tax earnings by a respectable 24.4% to Rs 37.40 crs from Rs 30.06 crs in the same period a year ago.
- Riding on the recovery in Indian MHCV industry in FY22 and puny volumes in Q1 of FY21, Jamna reported that revenues surged by a 83.5% in first nine months of the current fiscal when compared with that in the same period a year ago. Though OPMs during this period rose to 12.8% (10.1% in 9MFY21), it is still way off from the readings reported during the pre-covid times. Relentless focus on adding new products has manifested itself in dwindling revenue share of conventional springs - 62% of total turnover accrued from conventional springs in 9MFY22 compared with 66% for whole of FY21.
- The stock currently at 33.9x FY22e EPS of Rs 3.41 and 27x FY23e EPS of Rs 4.28. Growing OEM dispatches of MHCVs driven by reopening of economy and consequent increase in freight rates has galvanized dispatches of CV part makers' last fiscal. Jamna Auto is no exception, for it is set to report earnings growth of some 85% with much improved return on capital. Though cyclicality of CV industry may pose no small threat, but improved outlook of higher tonnage trucks would resurrect demand for highly efficient parabolic springs, whose revenue share has seen a gradual rise in the last few years. Weighing odds, we assign accumulate rating on the stock with revised target of Rs 129 based on 30x FY23e earnings.

Outlook & Recommendation

CV industry

Indian CV manufacturers reckon that the need to replace ageing fleet and a revival in the economy may generate demand for close to half a million light-medium and heavy-duty trucks worth USD 10 billion over the next 12-18 months. Policies such as the scheme for scrapping old vehicles and production-linked incentives will also play a role in driving the demand for commercial vehicles, said Girish Wagh, executive director at Tata Motors.

The average age of India's truck fleet is at a record high, which means the vehicles are getting older and inefficient. Close to half a million trucks are due for replacement, based on the average retention period of the first buyer. The proportion of replacement demand was 30-35% in the past two years but is expected to rise to 50% in the coming year. Replacement demand may get a leg up from recent surge in fuel prices because it may boost demand for fuel efficient vehicles.

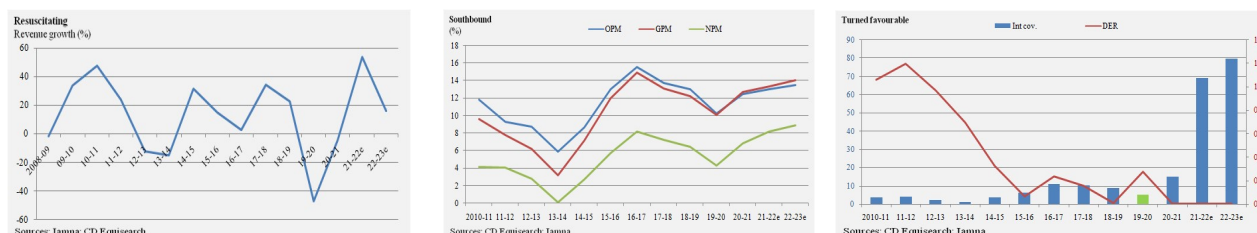


Daimler India Commercial Vehicles chief executive Satyakam Arya expects the recovery of CV industry to last for next 3-4 years driven by infrastructural push and growing e-commerce. He expects the medium and heavy truck market to grow 25-30% in calendar year 2022 followed by low double digit growth in the next 2-3 years. Yet the CV manufacturers believe diesel price hikes and headwinds from supply chain and commodity prices may pose risks to the demand recovery.

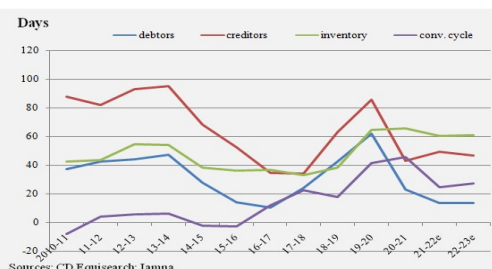
Financials & Valuation

Low interest rates, government's thrust on boosting infrastructure spending, recovery in replacement demand and improved demand dynamics for new vehicles has prompted Shriram Transport Finance, a CV financing company, to project double digit volume growth for the CV sector in the current fiscal. It further posits that demand for high tonnage vehicles could see strong demand as the recent trends suggests higher credit demand for heavy vehicles. Government of India's vehicle scrapping policy would help in gradually phasing out old unfit vehicles.

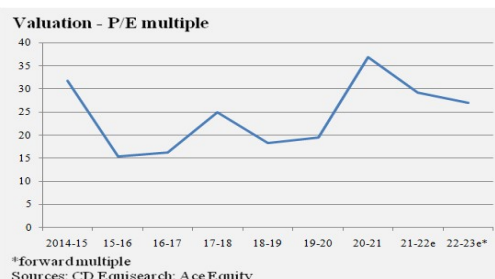
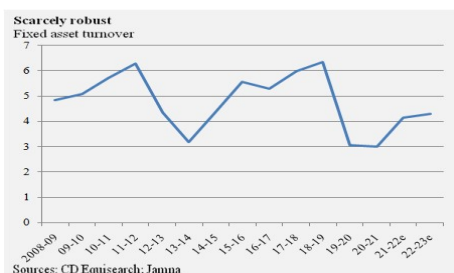
Growing demand for higher tonnage vehicles could act as catalyst for Jamna's value added products such as parabolic springs and lift axles; wherefore, revenue share of Jamna's parabolic springs have crept up over the years and currently accounts for over a third of total pie. With no diminishing focus on value added products, Jamna through its subsidiary Jai Automotive Components Limited is setting up a plant in Pant Nagar for machining products. Further a plant for manufacture of springs and axles and allied products is being set up at Indore.



After launching springs and lift axle allied products such as U-bolt, centre bolt, hanger shackle /bracket, spring pin etc in the aftermarket last fiscal, plans are afoot to launch spring and axles allied components in OEM market in the current fiscal. Deepening of new product portfolio by introducing allied parts for suspension, machined parts, full range of trailer suspension and other products will boost revenue share of new products from Q3's 37%. Also on the anvil is introduction of technology intensive cold processed U-bolt with aim of boost share of technology products.



The stock currently at 33.9x FY22e EPS of Rs 3.41 and 27x FY23e EPS of Rs 4.28. With no weakening rebound in India MCHV industry in FY22 - volumes up nearly 50%, though on a small base - Jamna's post earnings in FY22 would zoom past previous record seen in FY19. Increasing presence in aftermarket has boosted margins - OPM estimated to rise to 13.5% in FY23 from 12.4% in FY21. Supply penetration in aftermarket has deepened by addition of channel partners in the supply chain. With recovery in MHCV intact, post tax earnings would rise by over 25% in the current fiscal. Weighing odds, we assign accumulate rating on the stock with revised target of Rs 129 based on 30x FY23e earnings. For more info refer to our April 21 report.



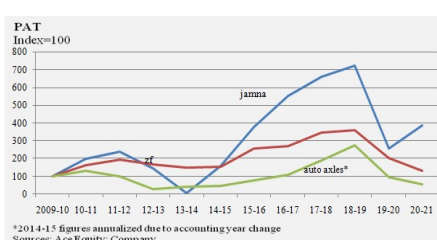
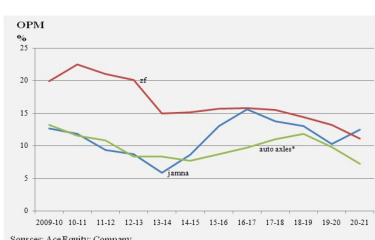
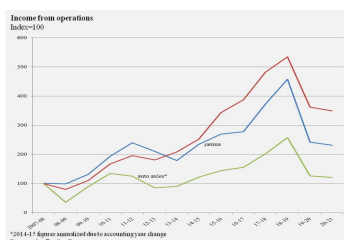
Cross Sectional Analysis

Company	Equity*	CMP	Mcap*	Op. inc.	Profit*	OPM	NPM	Int cov.	ROE	Mcap / OI	P/BV	P/E
Auto.Axles	15	1650	2493	1364	61	8.6	4.5	34.4	11.0	1.8	4.3	40.9
Jamna Auto	40	116	4616	1576	132	13.5	8.4	37.2	22.6	2.9	7.4	35.0
ZF Commercial	9	7933	15046	2474	133	10.0	5.4	123.3	6.7	6.1	7.3	112.9

*figures in crores; calculations on ttm basis

Buoyed by recovery in Indian CV industry, Automotive Axles reported 95.5% rise in revenues in first nine months of the current fiscal, followed by net profit of Rs 35.52 crs compared to loss of Rs 3.83 crs in the same period a year before. Prodded by operating leverage, operating profit admirably surged to Rs 72.62 crs from Rs 21.07 crs, resulting in some 225 bps expansion in operating margins to 7.74%. Much of its focus post Covid has been on enhancing capacity to cater to growing demand and launch of new products. It recently acquired 26% stake in Parola Renewables Pvt Ltd, a company engaged in solar power generation, at a cash consideration of Rs 2.40 crs.

To boost of take, ZF Commercial will invest Rs 150 crs in greenfield capacity near Chennai to cater to both domestic and export demand. Higher capacity utilization at its Mahindra City SEZ factory for exports has triggered setting up this new facility. This plant, which will largely cater to exports, is expected to be operational by Q1 of 2023. Expected to contribute Rs 700 crs to turnover, this investment will be eligible for PLI scheme as it will be localizing some advanced technologies in the electric vehicle domain and some advanced braking system components. Riding on the recovery in CV cycle, ZF Commercial posted 53% growth in revenues and 52.2% growth in post tax earnings in the first nine months of the current fiscal when compared to that reported in the same period a year ago.



Financials

Quarterly Results -Consolidated

Figures in Rs crs

	Q3FY22	Q3FY21	% chg.	9MFY22	9MFY21	% chg.
Income from operations	444.75	343.26	29.6	1091.98	595.08	83.5
Other Income	0.70	1.46	-52.1	3.58	7.08	-49.4
Total Income	445.45	344.72	29.2	1095.56	602.15	81.9
Total Expenditure	385.04	292.29	31.7	952.57	534.69	78.2
EBIDTA (other income included)	60.41	52.43	15.2	143.00	67.47	112.0
Interest	0.55	1.28	-57.3	2.18	4.57	-52.3
Depreciation	8.76	9.64	-9.0	26.19	25.65	2.1
PBT	51.10	41.52	23.1	114.63	37.25	207.7
Tax	13.70	11.46	19.6	30.67	11.79	160.2
PAT	37.40	30.06	24.4	83.96	25.46	229.7
Minority interest	0.00	0.00	0.0	0.00	0.00	0.0
PAT after MI	37.40	30.06	24.4	83.96	25.46	229.7
Extraordinary Item	-	-	-	-	-	-
Adjusted Net Profit	37.40	30.06	24.4	83.96	25.46	229.7
EPS (F.V. 1)	0.94	0.76	23.5	2.11	0.64	229.7

Income Statement-Consolidated

Figures in Rs crs

	FY19	FY20	FY21	FY22e	FY23e
Income from operations	2134.81	1128.95	1079.48	1658.73	1924.13
Growth (%)	22.8	-47.1	-4.4	53.7	16.0
Other Income	10.97	16.47	10.12	8.33	13.29
Total Income	2145.79	1145.42	1089.60	1667.06	1937.41
Total Expenditure	1856.31	1014.18	945.81	1432.13	1664.37
EBITDA (other income included)	289.48	131.23	143.79	234.93	273.04
Interest	27.53	18.22	7.33	2.73	2.93
EBDT	261.95	113.01	136.46	232.20	270.11
Depreciation	46.45	41.37	35.58	35.31	39.49
Tax	78.05	23.76	27.92	50.28	59.96
MI	0.00	0.00	0.00	0.00	0.00
PAT after MI	137.45	47.88	72.96	146.61	170.66
Extraordinary item	0.08	-0.82	-0.45	-	-
Adjusted Net Profit	137.37	48.70	73.41	146.61	170.66
EPS (Rs.)	3.45	1.22	1.84	3.41	4.28

Figures may differ from published figures due to reclassifications

Consolidated Balance Sheet

Figures in Rs crs

	FY19	FY20	FY21	FY22e	FY23e
SOURCES OF FUNDS					
Share Capital	39.83	39.83	39.83	39.83	39.83
Reserves	469.72	476.87	540.17	636.27	747.20
Total Shareholders Funds	509.55	516.71	580.01	676.10	787.03
Long term debt	3.60	50.77	-	-	-
Minority interest	0.00	0.00	0.00	0.00	0.00
Total Liabilities	513.15	567.48	580.01	676.10	787.03
APPLICATION OF FUNDS					
Gross Block	491.25	521.28	529.53	663.29	703.29
Less: Accumulated Depreciation	118.49	152.59	178.61	213.92	253.42
Net Block	372.76	368.69	350.92	449.36	449.87
Capital Work in Progress	39.65	132.17	133.76	40.00	50.00
Investments	0.47	0.47	0.47	0.47	0.47
Current Assets, Loans & Advances					
Inventory	228.92	129.98	209.56	265.40	288.62
Sundry Debtors	304.10	80.08	55.82	66.98	73.68
Cash and Bank	24.60	3.61	41.18	82.31	177.43
Other Assets	34.46	30.05	57.20	59.63	62.25
Total CA & LA	592.09	243.73	363.75	474.31	601.98
Current liabilities	494.04	156.93	235.25	248.61	270.43
Provisions	31.40	26.16	24.30	31.07	35.17
Total Current Liabilities	525.44	183.10	259.55	279.67	305.59
Net Current Assets	66.65	60.63	104.21	194.64	296.38
Net Deferred Tax (net of liability)	8.23	2.75	6.36	8.27	8.27
Other Assets (Net of liabilities)	25.39	2.77	-15.70	-16.64	-17.97
Total Assets	513.15	567.48	580.01	676.10	787.03

Figures may differ from published figures due to reclassifications

Key Financial Ratios

	FY19	FY20	FY21	FY22e	FY23e
Growth Ratios					
Revenue (%)	22.8	-47.1	-4.4	53.7	16.0
EBIDTA (%)	16.7	-54.3	9.1	55.3	21.8
Net Profit (%)	9.6	-64.6	50.8	85.2	25.5
EPS (%)	9.6	-64.6	50.8	85.2	25.5
Margins					
Operating Profit Margin (%)	13.0	10.3	12.4	13.0	13.5
Gross Profit Margin (%)	12.3	10.1	12.7	13.4	14.0
Net Profit Margin (%)	6.4	4.3	6.8	8.2	8.9
Return					
ROCE (%)	32.6	10.6	12.9	22.8	24.9
ROE (%)	31.0	9.7	13.6	22.5	24.7
Valuations					
Market Cap / OI	1.2	0.8	2.5	2.4	2.4
EV/EBIDTA	8.6	8.2	18.5	17.3	16.6
P/E	18.2	19.5	36.9	29.2	27.0
P/BV	5.1	1.8	4.8	6.1	6.3
Other Ratios					
Interest Coverage	8.8	5.0	14.9	69.2	79.6
Debt-Equity Ratio	0.0	0.3	0.0	0.0	0.0
Current Ratio	1.1	1.3	1.3	1.5	1.7
Turnover Ratios					
Fixed Asset Turnover	6.3	3.0	3.0	4.1	4.3
Total Asset Turnover	4.7	2.1	1.9	2.8	2.8
Debtors Turnover	8.6	5.9	15.9	27.0	27.4
Inventory Turnover	9.6	5.6	5.6	6.0	6.0
Creditors Turnover	5.8	4.3	8.5	7.4	7.8
WC Ratios					
Debtor Days	42.3	62.1	23.0	13.5	13.3
Inventory Days	38.1	64.7	65.6	60.5	60.7
Creditor Days	62.9	85.5	43.0	49.4	46.8
Cash Conversion Cycle	17.5	41.3	45.6	24.6	27.3

Cumulative Financial Data

Figures in Rs crs	FY15-17	FY18-20	FY21-23e
Income from operations	3643	5002	4662
Operating profit	460	634	610
EBIT	351	540	531
PBT	298	474	518
PAT	207	311	380
Dividends	70	106	159
OPM (%)	12.6	12.7	13.1
NPM (%)	5.7	6.2	8.2
Interest coverage	6.7	8.2	40.9
ROE (%)	28.0	25.0	20.2
ROCE (%)	23.2	22.6	18.6
Debt-equity ratio*	0.2	0.3	0.0
Fixed asset turnover	4.5	5.1	3.8
Debtors turnover	17.0	29.2	20.2
Inventory turnover	9.9	12.0	6.4
Creditors turnover	7.9	25.3	10.3
Debtors days	21.4	12.5	18.1
Inventory days	36.7	30.4	56.7
Creditor days	46.2	14.4	35.4
Cash conversion cycle	12.0	28.5	39.4
Dividend payout ratio (%)	34.2	34.0	42.0

FY15-17 implies three years ending fiscal 17; *as on terminal year;

Pummeled by nationwide lockdowns during Covid-19, Indian commercial vehicle industry bore the brunt of lower freight, resulting in sharp drop in volumes of auto components. Though Jamna's higher aftermarket sales did make up for lower OEM sales, but cumulative revenues during FY21-23 is projected to drop by some 7% (see table) with marginal increase in OPMs - OPM estimated to rise to 13.1% during FY21-23 period from 12.7%. Lower depreciation and interest expenses would curb the fall in earnings - post tax earnings estimated to rise to Rs 380 crs from Rs 311 crs.

Scarcely robust growth in cumulative post tax earnings during FY21-23e period coupled with lower capacity utilization rate would prevent rise in return on capital - ROE estimated to drop to 20.2% from 25% in FY18-20 period. Supported by decline in financial leverage, interest coverage ratio would not unremarkably rise to 40.9 from 8.2. Cash conversion cycle would be lengthened not least due to surge in inventory days from 30 days to some 57 days (see table).

Financial Summary – US dollar denominated

million \$	FY19	FY20	FY21	FY22e	FY23e
Equity capital	5.8	5.3	5.4	5.3	5.2
Equity shareholders funds	70.5	68.5	76.2	85.2	96.2
Total debt	0.5	18.9	0.2	0.2	0.2
Net fixed assets (incl CWIP)	59.6	66.4	65.9	64.6	65.2
Investments	0.1	0.1	0.1	0.1	0.1
Net current assets	6.5	8.0	11.5	21.7	32.2
Total assets	71.1	75.3	76.2	85.2	96.2
Revenues	305.5	159.3	145.5	222.6	251.1
EBITDA	41.4	18.7	19.5	30.1	35.6
EBDT	37.5	16.1	18.5	29.7	35.2
PBT	30.8	10.3	13.7	25.0	30.1
Profit after MI	19.7	6.9	9.9	18.2	22.3
EPS(\$)	0.05	0.02	0.02	0.05	0.06
Book value (\$)	0.18	0.17	0.19	0.21	0.24

income statement figures translated at average rates; balance sheet and cash flow at year end rates; projections at current rates(Rs 76.64/\$). All dollar denominated figures are adjusted for extraordinary items.

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buy: >20% accumulate: >10% to ≤20% hold: ≥-10% to ≤10% reduce: ≥-20% to <-10% sell: <-20%

Exchange Rates Used- Indicative

Rs/\$	FY18	FY19	FY20	FY21	FY22
Average	64.45	69.89	70.88	74.20	74.51
Year end	65.04	69.17	75.39	73.50	75.81

All \$ values mentioned in the write-up translated at the average rate of the respective quarter/ year as applicable. Projections converted at current exchange rate. Cumulative dollar figure is the sum of respective yearly dollar value.